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GAD PRINCIPLES FOR ACTUARIAL QUALITY

The following principles must be applied when carrying out any work in a professional capacity.

1. GENERAL

Fundamental principle - Actuaries should ensure that they have sufficient up-to-date knowledge and experience relevant to the work in question, consider all factors and parties and, where applicable, undertake sufficient consultation.

- 1.1 The actuary should ensure that they have kept abreast of all developments that may be relevant to the work in question.
- 1.2 The actuary should ensure that:
 - a) They have undertaken sufficient consultation relevant to the work in question (including where required to meet any legal requirement to do so).
 - b) The outcome of any such consultations is properly taken into account in the resulting work.
- 1.3 The actuary should take account of professional requirements relevant to the work being carried out.
- 1.4 The actuary should ensure that they consider the party or parties that the work is designed to assist and endeavour to ensure that the needs and objectives of those parties are met.
- 1.5 Where the work may have a direct impact on either the benefits for individuals or payments made to or by individuals, the actuary should factor this in when considering the principles in this document. In particular the actuary should bear this impact in mind when considering sufficiency of consultation, sufficiency of data, all aspects of the modelling and the detailed communication.
- 1.6 Where it is not possible or practical to gather sufficient data or undertake sufficient consultation and if, in the actuary's opinion, it would not be proportionate to adopt any other course of action, the actuary may work on the basis of the collected information. In such a case the actuary must disclose this to the recipients of the work as soon as this conclusion is reached.

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- 1.7 The actuary should consider what documentation is appropriate and ensure that such documentation is completed. This should be done in relation to both the work delivered and underlying work carried out to deliver that work.
- 1.8 The actuary should be alert to risks that may affect the work or advice. The actuary should highlight any such risks and seek to ensure that any resulting limitations of advice are understood.
- 1.9 The actuary should understand and take into account the terms and conditions applicable to the work set out in the service level agreement, letter of appointment or other terms of engagement.

2. COMMUNICATION

Fundamental principle - There should be sufficient and clear information for recipients to take appropriate decisions¹.

- 2.1 The actuary should ensure that any communication which is produced with the expectation that the recipient or a known third party may act on it contains sufficient written information such that the recipient or third party could not reasonably be expected to take a different decision if more, relevant, information were added. If the actuary is of the view that insufficient information has been requested or will be provided to enable a sensible decision to be taken, the communication should make a statement to that effect.
- 2.2 Where possible, the actuary should ensure that the communication does not provide information which may be regarded as irrelevant to the decision.
- 2.3 The actuary should not exclude information about complex matters within the communication on the grounds that it might be too difficult for some readers to understand, although the communication should be written to be comprehensible.

3. DATA²

Fundamental principle - Enough data should be collected, verified and properly documented for appropriate advice to be given and appropriate decisions taken.

- 3.1. The actuary should request, test for veracity and use sufficient data such that decisions to be made by the recipient of any communication would not

¹ *For the avoidance of doubt, a decision not to act or defer acting (and, for example, seek more data) is a decision in this context.*

² *Data includes numbers, documents, consultations and data checks.*



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reasonably be expected to change if further data were to be available and used.

- 3.2. The actuary should ensure that any information supplied provides relevant caveats where there is a gap in data such that there is a risk that the communication could be expected to be materially different, and so affect decisions, if the gap were to be filled. The caveats should cover reliance on the information and warn on the likelihood and potential impact of the risks being taken by not securing more information.
- 3.3. The actuary should ensure that all data held by them is adequately labelled and documented so that another actuary picking up the working papers could reasonably be expected to be able to understand what had been collected, any limitations, how calculations had been performed and what judgements had been made.

4. MODELLING, CALCULATIONS & ASSUMPTIONS

Fundamental principle - Modelling should be carried out using appropriate, and properly documented, methods and assumptions. Actuarial calculations should deliver the correct answers based on the assumptions selected.

- 4.1 The actuary should ensure that the methodology and assumptions used are such that they could sensibly assume that another reasonable actuary would conclude that the calculation approach is fit for purpose.
- 4.2 The actuary should satisfy themselves that they would not expect a more sophisticated methodology to change the results to an extent where the decisions of recipients would be expected to change as a consequence.
- 4.3 The actuary should ensure that the documentation is clear and unambiguous and is sufficient so that another actuary could reasonably be expected to reproduce the results of the calculations (within an acceptable range).
- 4.4 The actuary should ensure that sufficient checks are performed and documented such that the actuary could reasonably assume that there would be no change to the results (within what the actuary considers to be reasonable bounds) if further checks were carried out.
- 4.5 Where assumptions are made for an exercise that may affect more than one group, the actuary should ensure that the selection of assumptions places proper emphasis on how interests of all relevant parties are affected. The extent to which this has been done should be documented.

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- 4.6 The actuary need not comment on assumptions or methodology set by a third party (or in legislation or equivalent) other than to state who has set the assumption or methodology unless, in the actuary's view, comment could affect any decisions made or where there is a statutory duty to do so. Further, the actuary need not apply any other principle in this document to such assumptions or methodology.